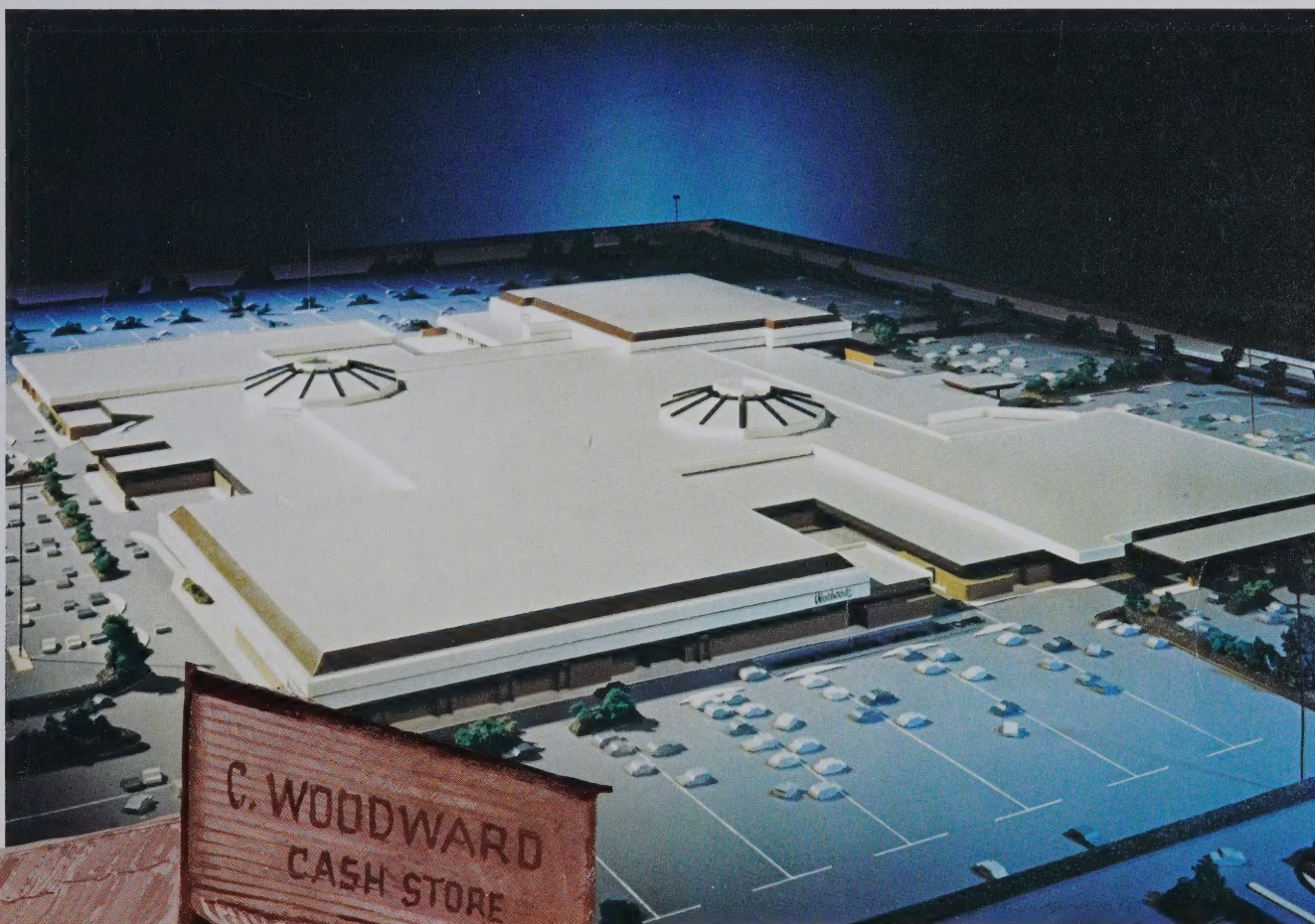
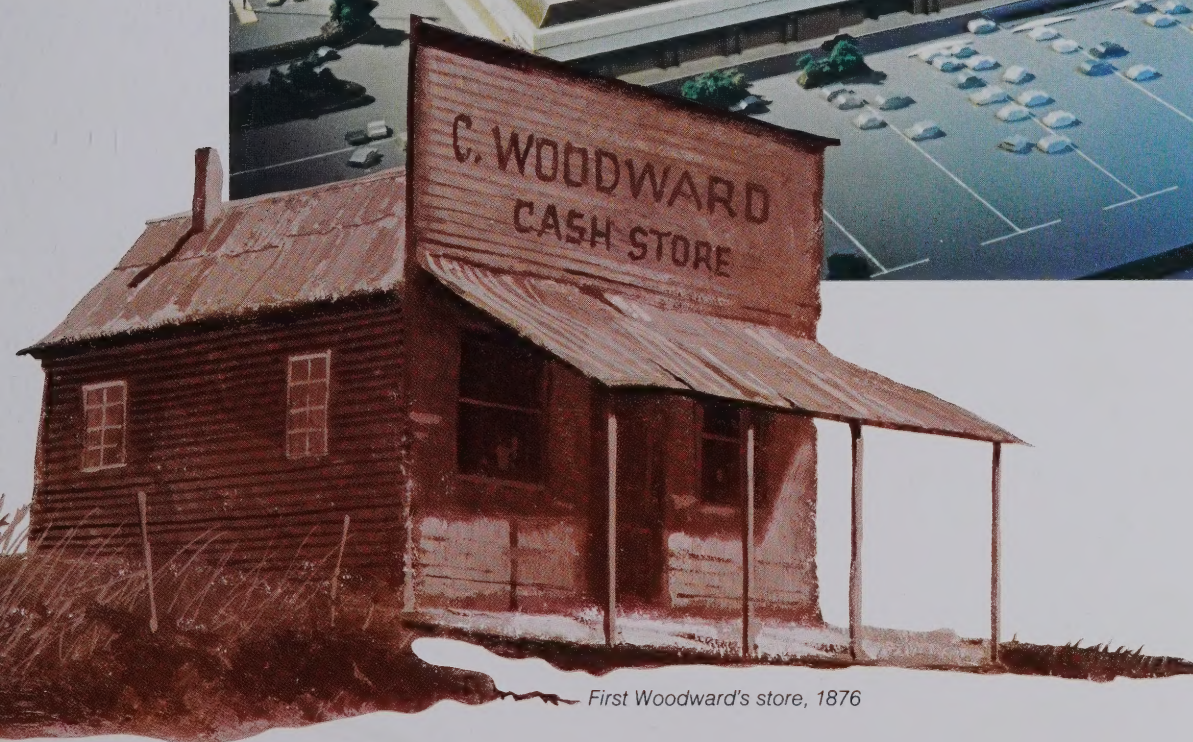


Woodward's

ANNUAL REPORT, 1976
For the fiscal year ended
January 31, 1977



Lansdowne Park Shopping Centre



First Woodward's store, 1876



Transportation and Distribution
Equipment, 1977



Horse drawn
home delivery, 1913

Highlights

FOR THE YEAR ENDED JANUARY 31

| | 1977 | 1976 | % Increase (decrease) |
|--|---------------|---------------|-----------------------------|
| Operating revenue | \$659,759,691 | \$600,668,993 | 9.84 |
| Net earnings | \$ 8,253,783 | \$ 11,781,322 | (29.94) |
| Net earnings per share | \$ 1.26 | \$ 1.80 | |
| Earnings before extraordinary item | \$ 7,443,417 | \$ 11,781,322 | (36.82) |
| Earnings per share before extraordinary item | \$ 1.14 | \$ 1.80 | |
| Dividends paid | \$ 4,770,060 | \$ 4,767,927 | |
| Dividends per Class A share | \$.73 | \$.73 | |

AT JANUARY 31

| | | | |
|----------------------------|---------------|---------------|-------|
| Working capital | \$ 89,194,111 | \$ 68,474,622 | 30.26 |
| Shareholders' equity | \$106,020,630 | \$102,480,907 | 3.45 |
| Equity per share | \$16.23 | \$15.69 | |



Woodward Stores Limited

and subsidiary companies

DIRECTORS

CHARLES NAMBY WYNN WOODWARD†

ROSE BANCROFT

WILLIAM GEORGE BROWN†

THOMAS KENNETH CAMPBELL

CHARLES REGINALD CLARRIDGE†**

THOMAS RAYMOND FARRELL*

MARCO GANDOSSÌ, C.A.†

WILLIAM DOUGLAS HAIG GARDINER

JAMES NORMAN HYLAND*

HAROLD LESLIE JOY

CYRIL LLOYD KEETCH†

GRANT WOODWARD MacLAREN, C.A.†

HAROLD ROBERTSON MARTIN

STANLEY ALBERT MILNER

JOHN OXLEY MOXON†

LEWIS GEORGE PHIPPS

FRANK ALLAN ROBERTSON†

AIDAN ROBINSON

ROBERT ARTHUR WHITE*

†Member of Executive Committee

*Member of Audit Committee

**Alternate Member of Audit Committee

AUDITORS

DELOITTE, HASKINS & SELLS

Chartered Accountants, Vancouver, British Columbia

REGISTRAR

WOODWARD STORES LIMITED

Vancouver, British Columbia

OFFICERS

CHARLES NAMBY WYNN WOODWARD

Chairman of the Board and Chief Executive Officer

CHARLES REGINALD CLARRIDGE

President and Chief Operating Officer

GRANT WOODWARD MacLAREN, C.A.

Executive Vice President

MARCO GANDOSSÌ, C.A.

Senior Vice President, Finance and Secretary

FRANK ALLAN ROBERTSON

Senior Vice President, Merchandising

WILLIAM GEORGE BROWN

Vice President, Personnel and Services

CYRIL LLOYD KEETCH

Vice President, Food Operations

JOHN OXLEY MOXON

Vice President, Alberta Operations

DANIEL BENJAMIN KENNEDY

Assistant Secretary

TRANSFER AGENTS

WOODWARD STORES LIMITED

Vancouver, British Columbia

MONTREAL TRUST COMPANY

Toronto, Ontario; Montreal, Quebec; Edmonton, Alberta.

HEAD OFFICE

101 West Hastings Street, Vancouver, British Columbia

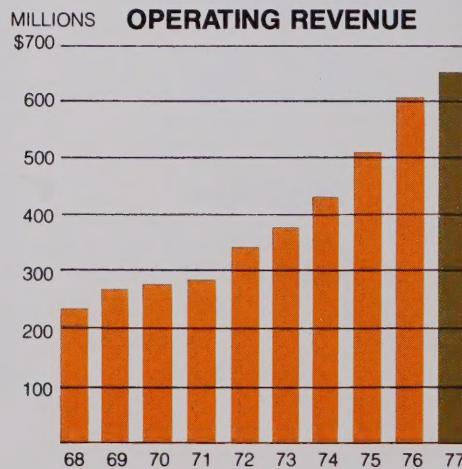
Directors' Report to the Shareholders



Canada's business climate throughout 1976 was characterized by a sluggish and uncertain economy. Unseasonable weather in Western Canada, low levels of consumer confidence, high unemployment and a relatively weak economy in British Columbia resulted in a lower than expected sales and net earnings performance. In particular, sales of all winter merchandise, including men's and women's apparel and skiing equipment, were adversely affected by the unseasonably dry and mild winter. Furniture and appliance sales were also affected as housing sales declined. The year under review was therefore a difficult one for your Company.

While operating revenue increased by 9.84% to \$659,759,691 from \$600,668,993 for the previous year, net earnings decreased 29.94% from \$11,781,322 to \$8,253,783. Net earnings before extraordinary items amounted to \$7,443,417 or \$1.14 per share compared to \$11,781,322 or \$1.80 per share for the 1976 fiscal year. When comparing the net earnings performance for the preceding fiscal years, it should be noted that the net earnings of \$1.80 per share for the 1976 fiscal year were the highest in the history of the Company and represented an increase of approximately 15% over the 1975 fiscal year.

The increase in operating revenue was due in part to the addition of three new stores in the latter half of 1975. However, these new stores are still in the maturing stage and therefore did not contribute to the net earnings of the Company. It is expected that the results



of these new stores will show gradual improvement in the future. Net earnings were also adversely affected by the pressure on gross margins caused by the general competitiveness of the market and to a lesser extent by the markdowns taken to clear merchandise affected by the unseasonable weather.

Working capital increased by \$20,719,489 for the current year to \$89,194,111. The increase in long term debt of \$43,046,000 is due primarily to the issue of \$20,000,000 10% Sinking Fund Debentures at par and funds totaling \$22,900,000 drawn down under "term" bridge financing arranged for the Lansdowne Park Shopping Centre.

A dividend of 45¢ per share has been declared payable on April 29, 1977. After taking into account the interim dividend of 28¢ per share paid on October 29, 1976, dividends with respect to the year under review totalled 73¢ per share and equalled the amount paid for the 1976 fiscal year.

In contrast to the 1976 fiscal year when six new projects were brought on stream including the three new stores referred to earlier in this report, there were no new stores opened during this fiscal year. Your Company has taken this opportunity to consolidate its resources and to review all existing systems and procedures with a view to improving efficiencies and economies in operation. In this connection, considerable progress has been made in the area of inventory and expense budgetary control and sales recording procedures. As part of an on going program, new electronic point of sale equipment has been installed in all British Colum-

bia lower mainland stores.

During the year, the Company and its employees faced dramatic cost increases in certain of the health benefit programmes. In reviewing the impact of these costs, it was determined to restructure all benefits related to health, income and life insurance. The review culminated in the last half of the year with the announcement of extensive modifications and a successful re-enrollment campaign. This achievement resulted in a more comprehensive benefit package for employees and favourable cost parameters for all concerned.

Construction of Lansdowne Park Shopping Centre is progressing on schedule with opening planned for the fall of 1977. This centre which is described in further detail on page 6 of this report is located in Richmond, British Columbia.

While the impact upon the Company of the controls in the Anti-Inflation Act on prices, profits, compensation and dividends was minimal, the Company nevertheless supports the intent of this legislation to control inflation in Canada.

In keeping with the retirement age policy for Directors, Mr. W.G. Skinner retired from the Board in September, 1976. Prior to his retirement from active service in the Company in 1974, Mr. Skinner was Vice President Finance and Secretary, a position he held for many years. We extend to him our best wishes and appreciation for his outstanding contribution to the Company.

Mr. F.B. Barker, a Director and Store Manager, retired in January, 1977, after 44 years service. Mr. Barker com-

menced his career with the Company in Edmonton, Alberta and was appointed to the Board in 1955. We express our appreciation for his excellent contribution and our best wishes for good health during retirement.

We were pleased to welcome two new Directors during the year. They are Mr. S.A. Milner, President of Chieftain Development Co. Ltd., and Mr. H.R. Martin, a long time employee of the Company and presently Director of Corporate and Consumer Affairs.

The economic outlook for Canada in 1977 is one of slower growth. However, it is expected that the consumer sector will be one of the main contributors to this growth. We are therefore hopeful that, with close scrutiny of all operating expenses, net earnings will improve for the 1978 fiscal year.

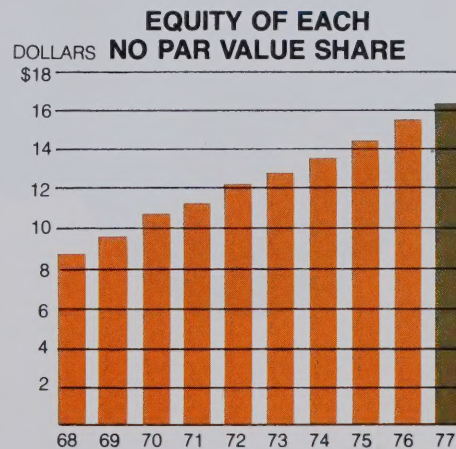
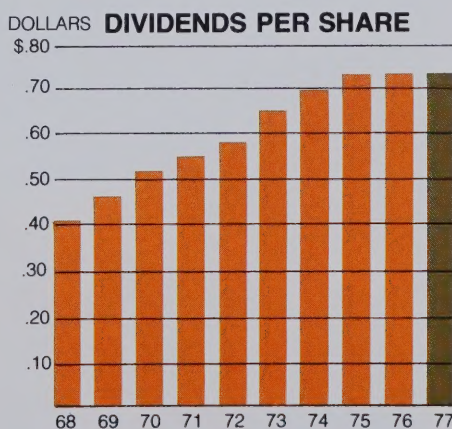
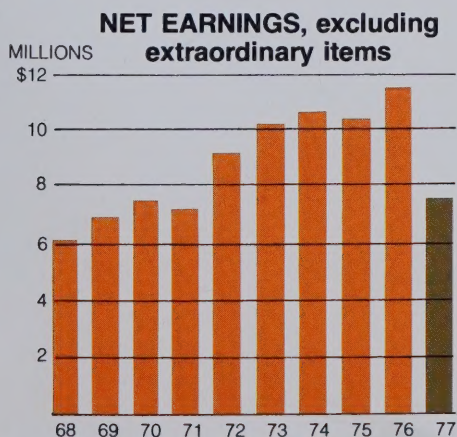
This past year presented Woodward's staff, at all levels, with difficult and challenging business conditions. Their response and adaptation to those circumstances is greatly appreciated and is further confirmation of the strong human resource asset enjoyed by your Company. We are also grateful for the continuing interest and confidence of Woodward's customers and shareholders.

Respectfully submitted,

Woodward.

*Chairman of the Board and
Chief Executive Officer.*

April 7, 1977.



Customer satisfaction throughout the years

Since 1876 when our founder Charles Woodward opened his first store, a one-room log cabin on Manitoulin Island, Ontario, his traditions of ethics and high merchandising standards have continued to bring Woodward's trust and loyalty of our customers.

When he moved to Vancouver and opened business in 1892 he developed a self-designed code that his successors and employees continue to follow today. It began with remuneration for merit and responsibility. His sons, the Honourable

Charles Woodward



W. C. Woodward, P. A. Woodward and his grandson, C. N. W. Woodward all worked their way through the company before assuming positions on the board of directors. It continued with integrity and honesty. The maxim of buying the best possible and selling for as little as possible made history with the first "one-price Sale Day" in 1910. The "Twenty-Five Cent Day" has changed to "\$1.49 Day" but still offers bargains for our customers.

Woodward's has always had faith in the country and the people we serve. We were the first to initiate Mail Order Food Parcels, which helped bring needed food items to Canadian soldiers and allies overseas during the Second World War.

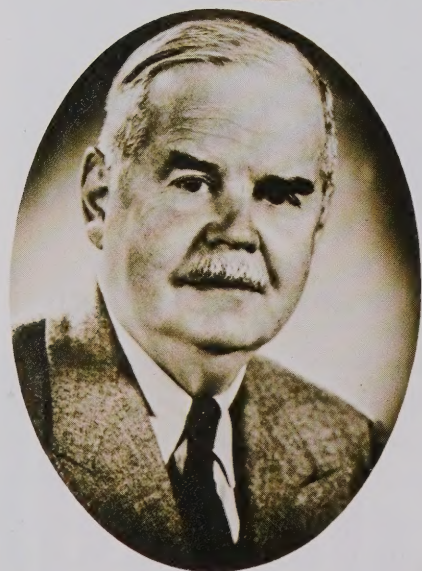
Woodward's foresight made ours the first company in Canada to initiate the self-service groceteria in 1919 with a drop in prices for our customers. The change resulted in the Vancouver store Food Floor, still one of the nation's largest operations of its kind. The concept led to the decision to include a

Food Floor with each of our new department store locations.

Customer satisfaction has always been one of the most important parts of our company's success. The signs over every major exit in Woodward's stores, "If you're not satisfied . . . please bring it back," are a constant reminder to every employee of that goal. Woodward's adhered to its founder's advice to advertise without exaggeration, innuendo or ambiguity and began the policy against comparative pricing which we continue to maintain.

Charles Woodward's unfailing faith in the quality of the people of Western Canada shows in the growth of our company. When all expert opinion was contrary, he backed his belief in the bright future of Alberta and in 1926 at the age of seventy-four, opened Woodward's first Alberta store in Edmonton.

The concepts of straight dealing and consideration for our customers have stayed with us from our small beginnings and will continue to ensure a secure future for Woodward's.



W. C. Woodward





Woodward's Downtown Vancouver, 1909



Grocery Department, 1904

Woodward's Self-Serve Food Floor, 1977

Lansdowne Park maintains the tradition...

The Woodward's tradition of service to the community is being continued with the opening of our latest shopping centre development located in the Vancouver Lower Mainland community of Richmond in the fall of 1977.

Lansdowne Park Shopping Centre has a gross leaseable area of approximately 625,000 square feet for over 130 retail stores and is destined to become one of the largest and most complete regional shopping centres in Western Canada.

Purchase of this property in 1972 heralded one of the most industrious projects in our recent history.

Located on the site of the former Lansdowne Race Track, the 50-acre shopping centre is uniquely designed to house a Woodward's Department Store, Food Floor and Bargain Store along with another major department store and many national and independent tenants.

To service the shopping community we have designed Lansdowne Park for

true "one stop" shopping by seeking the fullest complement of businesses possible.

Decorative landscaping will be found throughout the ring-design mall. As well, in the area surrounding the shopping mall we have planned parking space to accommodate over 3,300 cars. We have tried to ensure that the mall meets some of the community's social needs by providing a 5,000-square-foot auditorium to seat approximately 250 persons. The auditorium will have catering facilities available during the day and evening.

Gourmet-food services and food stores will be grouped around the Woodward's Food Floor, and a landscaped open seating area with specialty restaurants will maintain continuity for the food operation.

We are pleased with the latest addition to the Woodward's family of stores and shopping centres in Western Canada, and the opportunity it gives us to bring more service and satisfaction to the people of British Columbia.

Men's Wear Department, 1910



Lansdowne Park Shopping Centre





Lansdowne Park Shopping Centre



Woodward's Store, Gore Bay, Manitoulin Island, 1882



Woodward's first Vancouver Store, 1892





Woodward Stores Limited

and subsidiary companies

CONSOLIDATED STATEMENT OF EARNINGS

YEAR ENDED JANUARY 31

OPERATING REVENUE:

| | | |
|---------------------------------------|--------------------|--------------------|
| Sales including service charges | \$653,461,110 | \$596,058,036 |
| Rental revenue and other income | 6,298,581 | 4,610,957 |
| Total operating revenue | <u>659,759,691</u> | <u>600,668,993</u> |

COSTS AND EXPENSES:

| | | |
|--|--------------------|--------------------|
| Cost of merchandise sold and all other expenses except those listed hereunder | 489,114,041 | 440,064,601 |
| Selling, general and administrative | 135,412,945 | 120,408,625 |
| Profit sharing and retirement funds | 5,176,598 | 5,545,359 |
| Depreciation | 6,241,526 | 5,215,345 |
| Interest on long term debt | 7,496,609 | 5,171,384 |
| Other interest | 2,863,497 | 1,396,828 |
| Total costs and expenses | <u>646,305,216</u> | <u>577,802,142</u> |

OPERATING EARNINGS

| | | |
|---|----------------|----------------|
| Share of net earnings of corporate joint ventures | <u>345,942</u> | <u>328,471</u> |
|---|----------------|----------------|

EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM

| | | |
|----------------------------------|------------------|-------------------|
| Provision for income taxes | 13,800,417 | 23,195,322 |
| | <u>6,357,000</u> | <u>11,414,000</u> |

EARNINGS BEFORE EXTRAORDINARY ITEM

| | | |
|--|------------------|-------------------|
| | <u>7,443,417</u> | <u>11,781,322</u> |
|--|------------------|-------------------|

EXTRAORDINARY ITEM:

| | | |
|--|---------|---|
| Gain on disposal of properties, fixtures and equipment (net of income taxes of \$165,647) | 810,366 | — |
|--|---------|---|

NET EARNINGS FOR THE YEAR

| | | |
|--|---------------------|----------------------|
| | <u>\$ 8,253,783</u> | <u>\$ 11,781,322</u> |
|--|---------------------|----------------------|

EARNINGS PER SHARE (Note 6):

| | | |
|--|---------------|---------------|
| Earnings before extraordinary item | \$1.14 | \$1.80 |
| Extraordinary item | .12 | — |
| Net earnings for the year | <u>\$1.26</u> | <u>\$1.80</u> |

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEAR ENDED JANUARY 31

RETAINED EARNINGS AT BEGINNING OF THE YEAR

| | | |
|---------------------------------|------------------|-------------------|
| Net earnings for the year | \$79,316,580 | \$72,303,185 |
| | <u>8,253,783</u> | <u>11,781,322</u> |
| | 87,570,363 | 84,084,507 |

DEDUCT:

| | | |
|-----------------------------|-----------|-----------|
| Dividends (Note 3(b)) | 4,770,060 | 4,767,927 |
|-----------------------------|-----------|-----------|

RETAINED EARNINGS AT END OF THE YEAR

| | | |
|--|---------------------|---------------------|
| | <u>\$82,800,303</u> | <u>\$79,316,580</u> |
|--|---------------------|---------------------|

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**YEAR ENDED JANUARY 31****FUNDS PROVIDED:**

From operations:

Earnings before extraordinary item

\$ 7,443,417

\$11,781,322

Add (Deduct):

Dividends from a corporate joint venture

360,000

300,000

Depreciation

6,241,526

5,215,345

Deferred income taxes

(1,356,500)

(178,500)

Other

(616,980)

(317,281)

Total funds provided from operations

12,071,463

16,800,886

Proceeds from disposal of properties, fixtures and equipment:

Extraordinary (net of income taxes of \$165,647)

941,944

—

Other

918,753

421,260

Increase in long term debt

43,046,000

12,154,000

Total funds provided

56,978,160

29,376,146

FUNDS APPLIED:

Additions to properties, fixtures and equipment

24,406,868

25,401,745

Reduction in long term debt

6,135,888

411,000

Cash dividends (Note 3(b))

4,770,060

4,767,927

Increase in debt expense

465,855

207,551

Increase in advances to corporate joint ventures

480,000

—

Total funds applied

36,258,671

30,788,223

INCREASE (DECREASE) IN WORKING CAPITAL FOR THE YEAR ...

20,719,489

(1,412,077)

WORKING CAPITAL AT BEGINNING OF THE YEAR

68,474,622

69,886,699

WORKING CAPITAL AT END OF THE YEAR\$89,194,111\$68,474,622*The accompanying notes are an integral part of the financial statements.***AUDITORS' REPORT TO THE SHAREHOLDERS**

We have examined the consolidated balance sheet of Woodward Stores Limited as at January 31, 1977 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the company as at January 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, British Columbia.
April 7, 1977

DELOITTE, HASKINS & SELLS
Chartered Accountants



Woodward Stores Limited

(Under the Companies Act, British Columbia) and subsidiary companies

ASSETS

CURRENT ASSETS:

| | 1977 | 1976 |
|--|--------------|--------------|
| Cash | \$ 4,934,319 | \$ 4,790,656 |
| Marketable securities at cost (market value 1977—\$4,739,578; 1976—\$5,301,283) | 1,412,543 | 1,412,543 |
| Accounts receivable | 48,685,007 | 46,832,661 |
| Merchandise valued at the lower of cost and net realizable value .. | 94,840,200 | 90,849,752 |
| Income taxes recoverable | 1,518,813 | — |
| Prepaid expenses | 2,118,677 | 3,129,293 |
| Total current assets | 153,509,559 | 147,014,905 |

INVESTMENTS IN CORPORATE JOINT VENTURES (Note 1(a))

| | |
|-----------|-----------|
| 1,633,825 | 1,167,883 |
|-----------|-----------|

PROPERTIES, FIXTURES AND EQUIPMENT (Notes 1(d) and 5(e)):

| | | |
|--|-------------|-------------|
| Land | 22,581,455 | 21,315,768 |
| Buildings and improvements | 88,640,083 | 71,559,880 |
| Fixtures and equipment | 58,025,683 | 53,843,493 |
| Total cost | 169,247,221 | 146,719,141 |
| Less accumulated depreciation | 49,459,279 | 44,392,896 |
| Net properties, fixtures and equipment | 119,787,942 | 102,326,245 |

DEBT EXPENSE AT COST LESS AMORTIZATION

| | |
|-----------|---------|
| 1,388,864 | 998,657 |
|-----------|---------|

APPROVED BY THE BOARD:

C.N. Woodward, *Director*
M. Gandossi, *Director*

TOTAL

| | |
|---------------|---------------|
| \$276,320,190 | \$251,507,690 |
|---------------|---------------|

CONSOLIDATED BALANCE SHEET AS AT JANUARY 31, 1977

(with 1976 figures for comparison)

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

| | 1977 | 1976 |
|--|---------------|---------------|
| Bank indebtedness | \$ 15,863,155 | \$ 31,804,196 |
| Accounts payable and accrued liabilities | 41,769,293 | 44,149,847 |
| Income taxes | — | 981,240 |
| Current portion of long term debt | 5,231,000 | 147,000 |
| Notes payable to a corporate joint venture | 1,452,000 | 1,458,000 |
| Total current liabilities | 64,315,448 | 78,540,283 |

| | | |
|-------------------------|-------------|------------|
| LONG TERM DEBT (Note 2) | 105,830,112 | 68,976,000 |
|-------------------------|-------------|------------|

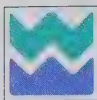
| | | |
|-----------------------|---------|-----------|
| DEFERRED INCOME TAXES | 154,000 | 1,510,500 |
|-----------------------|---------|-----------|

SHAREHOLDERS' EQUITY (Note 3):

| | | |
|--|-------------|-------------|
| Share capital: | | |
| Authorized: | | |
| 600,000 4½% non-cumulative preference shares, par value \$5 each, redeemable at par | | |
| 8,503,300 Class A shares, no par value | | |
| 1,796,700 Class B shares, no par value | | |
| Issued and fully paid: | | |
| 4,773,090 Class A shares (1976—4,769,030) | 12,753,475 | 12,694,325 |
| 1,761,240 Class B shares (1976—1,762,500) | 4,403,100 | 4,406,250 |
| 6,534,330 Total share capital | 17,156,575 | 17,100,575 |
| Contributed surplus (no transactions during the year) | 4,595,953 | 4,595,953 |
| Unrealized gains on sales of certain fixed assets to corporate joint ventures (no transactions during the year) | 1,467,799 | 1,467,799 |
| Retained earnings | 82,800,303 | 79,316,580 |
| Total shareholders' equity | 106,020,630 | 102,480,907 |

| | | |
|-------|---------------|---------------|
| TOTAL | \$276,320,190 | \$251,507,690 |
|-------|---------------|---------------|

The accompanying notes are an integral part of the financial statements.



Woodward Stores Limited and subsidiary companies

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, JANUARY 31, 1977

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(a) Principles of Consolidation and Basis of Presentation:

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned, as follows:

Store Companies:

British Columbia

Woodward Stores (Vancouver) Limited
Woodward Stores (Port Alberni) Limited
Woodward Stores (Park Royal) Limited
Woodward Stores (Mayfair) Limited
Woodward Stores (Westminster) Limited
Woodward Stores (Oakridge) Limited
Woodward Stores (Kamloops) Limited

Woodward Stores (Guildford) Limited
Woodward Stores (Prince George) Limited
Woodward Stores (Arbutus) Limited
Woodward Stores (Sevenside) Limited
Woodward Stores (Penticton) Limited
Woodward's Furniture Fair Limited

Alberta

Woodward Stores (Edmonton) Limited
Woodward Stores (Westmount) Limited
Woodward Stores (Chinook) Limited
Woodward Stores (Northgate) Limited

Woodward Stores (Southgate) Limited
Woodward Stores (Market Mall) Limited
Woodward Stores (Lethbridge) Limited
Woodward's Furniture Fair (Edmonton) Limited

Other Companies:

Woodward Acceptance Company Limited
Provincial Construction Company Limited
Woodward Holdings Limited
Locarno Investments Limited
Britalta Wholesale Drugs Limited
Britalwood Investments Limited

Thirty-one Purchasing Service Limited
Lansdowne Park Shopping Centre Limited
Pinewood Holdings Limited
Del-Pak Foods, Limited
Woodward Stores (London) Limited
Lethbridge Centre Limited

The Company also owns 60% of the issued shares of Southgate Shopping Centre Limited, with the balance of the shares being held by Hudson's Bay Company. Under the terms of a joint venture agreement between the Company and Hudson's Bay Company all major decisions require joint approval. Accordingly, the Company does not have effective control over this subsidiary and therefore its accounts have not been consolidated. In addition the Company has a partial ownership interest in each of Project 200 Properties Limited, Project 200 Investments Limited and The Edmonton Centre Limited. Southgate Shopping Centre Limited and the partially owned companies are accounted for on the equity method of accounting, as corporate joint ventures. On this basis the Company's share of earnings and losses of these companies, based on their last completed fiscal year, is brought into income and the Company's investment therein adjusted by a like amount. Dividends received from these companies are credited to the investment account (1977 — \$360,000; 1976 — \$300,000). The Company's equity in and advances to these companies are as follows:

| | Equity | Fiscal | January 31 | |
|---|----------|-------------|--------------------|--------------------|
| | Interest | year end | 1977 | 1976 |
| Southgate Shopping Centre Limited | 60% | January 31 | \$ 104,523 | \$ 61,847 |
| Project 200 Properties Limited | 25% | December 31 | 283,688 | 333,319 |
| Project 200 Investments Limited | 23% | December 31 | 738,818 | 742,717 |
| The Edmonton Centre Limited | 30% | March 31 | 506,796 | 30,000 |
| | | | <u>\$1,633,825</u> | <u>\$1,167,883</u> |

(b) Accounts Receivable:

In accordance with recognized industry practice, accounts receivable include certain instalment accounts of which a portion will not become due within one year.

(c) Merchandise Inventories:

The basis of valuation of merchandise, at the lower of cost and net realizable value, is determined principally by use of the retail method of accounting, generally used within the industry.

(d) Properties, Fixtures and Equipment:

It is the practice of the companies to capitalize carrying costs (interest and property taxes) on land and buildings during the development and construction of shopping centres. Such carrying costs capitalized during the years ended January 31, 1977 and 1976 were \$1,947,031 and \$1,707,469 respectively.

The companies provide depreciation principally on the straight line basis at rates sufficient to write off the cost of the various classes of properties, fixtures and equipment over their estimated useful lives. These annual rates, for the major asset classes are 2½% of cost on buildings, 3% of cost on parking improvements and 10% of cost on fixtures and equipment.

(e) Debt Expense:

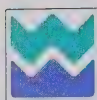
Expenses related to the issuance of long term debt are amortized on a straight line basis over the term of the issue to which they relate after adjusting for conversions, redemptions and purchases where applicable and the amount amortized is included in interest on long term debt expense in the consolidated statement of earnings.

(f) Store Pre-opening Expenses:

Such expenses are amortized over a twelve month period commencing with the month of opening. Balance included in prepaid expenses at January 31, 1977 is nil (1976—\$1,001,759).

2. LONG TERM DEBT:

| | | January 31 | |
|--|---------------|----------------------|---------------------|
| | Maturity | 1977 | 1976 |
| Woodward Stores Limited: | | | |
| 5% Sinking Fund Debentures 1957 Series, paid January 15, 1977 | | \$ — | \$ 35,000 |
| 5% Sinking Fund Debentures 1958 Series with annual sinking fund requirements on May 15 of \$200,000 | May 15, 1978 | 1,251,000 | 1,451,000 |
| 5¾% Sinking Fund Debentures 1965 Series with annual sinking fund requirements on June 15 of \$400,000 to 1977 and \$500,000 thereafter | June 15, 1985 | 6,039,000 | 6,365,000 |
| 6¾% Convertible Sinking Fund Debentures 1969 Series with annual sinking fund requirements of sums sufficient to retire on September 1, in each of the years 1980 to 1988 inclusive, 5% of the principal amount outstanding on September 1, 1979 | Sept. 1, 1989 | 9,062,000 | 9,118,000 |
| 8¾% Sinking Fund Debentures 1973 Series with annual sinking fund requirements on July 15 of \$500,000 in each of the years 1977 to 1980 inclusive, \$600,000 in each of the years 1981 to 1984 inclusive, \$700,000 in each of the years 1985 to 1988 inclusive, and \$800,000 in each of the years 1989 to 1992 inclusive | July 15, 1993 | 14,570,000 | 15,000,000 |
| 11¼% Sinking Fund Debentures 1974 Series with annual sinking fund requirements on October 15 of \$800,000 in each of the years 1978 to 1984 inclusive, and \$1,000,000 in each of the years 1985 to 1993 inclusive | Oct. 15, 1994 | 20,000,000 | 20,000,000 |
| 10½% Sinking Fund Debentures 1976 Series with annual sinking fund requirements on June 15 of \$800,000 in each of the years 1980 to 1986 inclusive, and \$1,000,000 in each of the years 1987 to 1995 inclusive | June 15, 1996 | 20,000,000 | — |
| Woodward Acceptance Company Limited: | | | |
| 6½% Debentures Series A | Dec. 15, 1977 | 5,000,000 | 5,000,000 |
| Lethbridge Centre Limited: | | | |
| 9¾% First Mortgage Bond payable in semi-annual instalments of \$629,284 including interest with a balance of \$2,326,054 due at maturity | Jan. 1, 2006 | 12,239,112 | 12,154,000 |
| Lansdowne Park Shopping Centre Limited: | | | |
| Bank Loan secured by a First Mortgage Bond with interest, repayment terms and security as described hereunder | Dec. 31, 1980 | 22,900,000 | — |
| | | 111,061,112 | 69,123,000 |
| | | 5,231,000 | 147,000 |
| | | <u>\$105,830,112</u> | <u>\$68,976,000</u> |
| Less current portion shown in current liabilities | | | |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

All Debentures of the Company rank equally and are secured equally and rateably, except for sinking funds pertaining to the respective issues, by floating charges upon the undertakings and all property and assets, present and future, of the Company and certain designated subsidiaries in the provinces of British Columbia and Alberta. The 6¾% Convertible Debentures are convertible at the holder's option at any time up to September 1, 1979 into 50 Class A shares per \$1,000 principal amount of debentures.

The Trust Indentures, pursuant to which the Debentures of the Company have been issued, contain restrictive covenants concerning the payment of dividends. At January 31, 1977, the consolidated net current assets were approximately \$69,000,000 in excess of the requirement under the most restrictive of such covenants, and the consolidated retained earnings free of restrictions were approximately \$14,000,000.

The 9¾% First Mortgage Bond of Lethbridge Centre Limited is secured by a charge on the Lethbridge Centre and by an assignment of certain leases and other agreements related to the operation of the centre. Provided projected rental levels are achieved by May 31, 1977 the advances under the Bond will increase to a maximum of \$12,750,000 at which time the semi-annual instalments will be \$652,660.

The Bank Loan of Lansdowne Park Shopping Centre Limited represents interim financing for its shopping centre. The loan bears interest at prime bank rate plus 1% during construction and prime bank rate plus 1½% following the earlier of the completion date of the shopping centre or December 31, 1977. Of the total authorized loan of \$36,000,000 the first \$32,000,000 advanced will be repayable by December 31, 1980 and the remaining \$4,000,000 advanced will be payable on demand. This loan is secured by a First Mortgage Bond bearing interest at the rates aforesaid and charging the centre, and is further secured by an assignment of specific leases. Lansdowne Park Shopping Centre Limited intends to repay the bank loan from the proceeds of serial mortgage bonds of which the terms and conditions of approximately \$20,000,000 Series A are in the process of being finalized.

Maturities and sinking fund requirements during the next five fiscal years (net of \$940,000 of debentures purchased in advance of such requirements) are as follows:

1978—\$5,231,000; 1979—\$3,073,500; 1980—\$1,881,000; 1981—\$26,042,000; 1982—\$3,251,000.

3. SHAREHOLDERS' EQUITY:

(a) Share Capital:

453,100 Class A shares are reserved to meet in full the conversion rights of the holders of the 6¾% Convertible Sinking Fund Debentures 1969 Series. 2,800 Class A shares were issued on such conversions during the year.

Each Class B share may be exchanged, at the holder's option, for a Class A share and accordingly 1,761,240 Class A shares are reserved for this purpose. 1,260 Class B shares were exchanged during the year.

(b) Dividends:

| | 1977 | 1976 |
|---|--------------------|--------------------|
| Cash dividends—Class A shares | \$3,484,355 | \$3,480,402 |
| —Class B shares (including taxes related thereto of \$192,856; 1976—\$193,129) | 1,285,705 | 1,287,525 |
| | <u>\$4,770,060</u> | <u>\$4,767,927</u> |

4. STATUTORY INFORMATION:

The aggregate direct remuneration paid or payable by the Company and its subsidiaries to the directors and senior officers of the Company during the year amounted to \$814,200 (1976—\$912,979).

5. CONTINGENT LIABILITIES AND COMMITMENTS:

(a) The aggregate minimum annual rentals (exclusive of property taxes and other expenses payable directly by the companies) under long term leases for premises in shopping centres, a warehouse and furniture retail outlets are approximately \$5,900,000. Most leases contain a percent-of-sales clause. Taking into account renewal clauses contained in every lease, the earliest expiry date is the year 2000, with the exception of 63,000 square feet of space in the downtown Vancouver store where the lease expires in 1987. The aggregate amount of rentals under long term leases charged against earnings during the year ended January 31, 1977 was approximately \$8,300,000 (1976—\$7,500,000).

(b) The estimated unfunded liability with respect to the employees' non contributory pension plan is \$5,500,000 which will be amortized against earnings over the fiscal years 1978 to 1989. The total pension expense charged against earnings in respect of the employees' non contributory pension plan for the year amounted to \$2,336,000 (1976—\$2,450,000).

(c) The Company has jointly and severally agreed under a Deficiency Agreement to make available sufficient funds to pay the

principal, interest and redemption premium, if any, on the First Mortgage Bonds of Southgate Shopping Centre Limited, which were issued in the amount of \$13,500,000.

- (d) The Edmonton Centre Limited has issued an aggregate of \$77,500,000 First Mortgage Sinking Fund Bonds, in series, to finance the development and construction of its office, hotel and shopping complex which for the first three stages is estimated to cost \$90,000,000. Under an Indemnity Agreement the Company has a contingent liability to the extent of 30% with respect to this indebtedness, any additional series of bonds which may be issued, and any subordinated debt which may be required to complete construction of Stages One, Two and Three.
- (e) Lansdowne Park Shopping Centre Limited is constructing a shopping centre which is estimated to cost, including land, approximately \$40,000,000 of which approximately \$27,000,000 is included in land, buildings and improvements at January 31, 1977. The Company has granted the lessee of a second department store to be located in the shopping centre an option to purchase a 20% equity interest in Lansdowne Park Shopping Centre Limited, subject to certain conditions and at a specified price.
- (f) The Company, jointly with the other corporate shareholders of Project 200 Investments Limited, has entered into an agreement, in connection with a bank loan agreement undertaken by Project 200 Investments Limited. The shareholders have jointly and severally agreed, while this bank loan is outstanding, to a postponement of claim on their advances and that they will not, without the prior written consent of the bank, reduce their holdings and interest in Project 200 Investments Limited except by transfer to existing corporate shareholders or their affiliates.

6. EARNINGS PER SHARE:

Earnings per share are calculated on the weighted average number of shares outstanding during the year. Fully diluted earnings per share are calculated on the weighted average number of shares that would have been outstanding during the year had all of the 6¾% Convertible Debentures 1969 Series been converted into Class A shares at the beginning of each year. In making this calculation the earnings applicable to Class A and B shares have been increased by the amount of the interest on the convertible debentures, net of applicable income taxes.

Fully diluted earnings per share are:

| | 1977 | 1976 |
|--|----------------|----------------|
| Earnings before extraordinary item | \$ 1.11 | \$ 1.73 |
| Extraordinary item | .12 | — |
| Net earnings for the year | <u>\$ 1.23</u> | <u>\$ 1.73</u> |

7. GOVERNMENT OF CANADA ANTI-INFLATION LEGISLATION:

The Company is required to comply with the provisions of the Anti-Inflation Act which became effective on October 14, 1975. The Act and its guidelines provide for the restraint of prices and profits and compensation of employees to December 31, 1978 and of the payment of dividends to October 13, 1977.

Based on compliance tests made with respect to profits for the years ended January 31, 1977 and January 31, 1976 and on actions taken with respect to compensation of employees and payment of dividends, management is of the opinion that the Company has complied with the Act and its guidelines and that no liabilities with respect to this legislation exist at January 31, 1977.

During the twelve month period ending October 13, 1977, the Company may not declare dividends in excess of \$.78 per share.



Woodward Stores Limited

and subsidiary companies

COMPARATIVE RECORD — Years ended January 31

| | 1977 | 1976 | 1975 |
|--|---------------|---------------|---------------|
| <i>Sales Including Service Charges</i> | \$653,461,110 | \$596,058,036 | \$504,491,399 |
| <i>Rental Revenue and Other Income</i> | 6,298,581 | 4,610,957 | 3,690,541 |
| <i>Selling, General and Administrative Expenses</i> | 135,412,945 | 120,408,625 | 102,289,899 |
| <i>Provision for Depreciation Charged to Operations</i> | 6,241,526 | 5,215,345 | 4,511,899 |
| <i>Interest on Long Term Debt</i> | 7,496,609 | 5,171,384 | 4,153,781 |
| <i>Profit Sharing and Retirement Funds</i> | 5,176,598 | 5,545,359 | 5,083,831 |
| <i>Provision for Income Taxes</i> | 6,357,000 | 11,414,000 | 10,960,000 |
| <i>Earnings (*Excluding Extraordinary Items of Income)</i> | * 7,443,417 | 11,781,322 | 10,246,121 |
| <i>Earnings per Share Excluding Extraordinary Items</i> | \$ 1.14 | \$ 1.80 | \$ 1.50 |
| <i>Dividends per Class A Share</i> | .73 | .73 | .73 |
| <i>Working Capital (Current Assets less Current Liabilities)</i> | \$ 89,194,111 | \$ 68,474,622 | \$ 69,886,699 |
| <i>Ratio of Current Assets to Current Liabilities</i> | 2.39 | 1.87 | 2.30 |
| <i>Properties, Fixtures and Equipment less Depreciation Provided</i> | \$119,787,942 | \$102,326,245 | \$ 82,525,700 |
| <i>Total Assets</i> | 276,320,190 | 251,507,690 | 205,085,650 |
| <i>Long Term Debt</i> | 105,830,112 | 68,976,000 | 57,241,000 |
| <i>Shareholders' Equity</i> | \$106,020,630 | \$102,480,907 | \$ 95,459,510 |
| <i>Preference Shares Outstanding</i> | — | — | — |
| <i>Equity of Voting Shares</i> | 106,020,630 | 102,480,907 | 95,459,510 |
| <i>Equity of Each No Par Value Share</i> | 16.23 | 15.69 | 14.60 |
| <i>Return on Average Shareholders' Equity</i> | % 7.14 | % 11.90 | % 11.00 |

| 1974 | 1973 | 1972 | 1971 | 1970 | 1969 | 1968 |
|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| \$427,981,693 | \$375,755,598 | \$332,068,456 | \$290,492,320 | \$281,221,930 | \$257,703,431 | \$233,704,646 |
| 3,475,086 | 3,023,938 | 2,240,398 | 1,996,346 | 1,885,439 | 1,578,180 | 1,505,304 |
| 84,141,922 | 73,396,620 | 64,090,751 | 56,406,338 | 53,368,239 | 48,439,704 | 43,853,009 |
| 3,917,706 | 3,669,623 | 3,213,349 | 2,954,025 | 2,664,417 | 2,953,497 | 2,682,705 |
| 2,838,741 | 2,234,428 | 1,747,580 | 1,739,962 | 1,394,497 | 1,183,004 | 1,250,282 |
| 4,701,465 | 4,297,033 | 4,093,153 | 3,200,106 | 3,422,544 | 2,904,771 | 1,854,003 |
| 10,443,300 | 8,925,400 | 8,444,850 | 7,603,350 | 7,741,300 | 7,108,072 | 6,026,385 |
| 10,362,776 | *10,061,672 | *9,129,866 | 7,330,536 | *7,439,446 | *6,762,369 | 6,027,111 |
| \$ 1.59 | \$ 1.54 | \$ 1.41 | \$ 1.13 | \$ 1.15 | \$ 1.04 | \$.93 |
| .70 | .65 | .58 | .55 | .52 | .46 | .40½ |
| \$ 71,682,180 | \$ 60,170,033 | \$ 56,330,962 | \$ 49,455,881 | \$ 51,552,135 | \$ 41,883,098 | \$ 37,586,995 |
| 2.83 | 2.87 | 3.16 | 3.14 | 3.46 | 2.66 | 2.51 |
| \$ 64,313,679 | \$ 55,087,569 | \$ 57,021,267 | \$ 45,363,338 | \$ 44,035,937 | \$ 44,723,119 | \$ 45,093,704 |
| 176,759,643 | 149,033,519 | 141,559,921 | 127,005,712 | 121,567,031 | 113,778,015 | 108,540,681 |
| 46,204,224 | 31,587,530 | 34,141,143 | 27,921,000 | 28,771,000 | 19,921,000 | 21,474,000 |
| \$ 89,929,844 | \$ 84,060,086 | \$ 78,837,366 | \$ 73,633,360 | \$ 69,855,149 | \$ 65,668,829 | \$ 60,429,170 |
| — | — | — | 1,630,560 | 1,494,385 | 1,320,450 | 1,191,180 |
| 89,929,844 | 84,060,086 | 78,837,366 | 72,002,800 | 68,360,764 | 64,348,379 | 59,237,990 |
| 13.77 | 12.88 | 12.15 | 11.10 | 10.54 | 9.92 | 9.13 |
| % 11.91 | % 12.35 | % 11.98 | % 10.22 | % 10.98 | % 10.73 | % 10.26 |

22 Locations to serve Western Canadians



1892—Downtown Store, Vancouver, B.C.; 1948—Port Alberni Store, Vancouver Island, B.C.; 1950—Park Royal Centre, West Vancouver, B.C.; 1954—Westminster Store, New Westminster, B.C.; 1955—Westmount Centre, Edmonton, Alta.; 1959—Oakridge Centre, Vancouver, B.C.; 1960—Chinook-Ridge Centre, Calgary, Alta.; 1963—Mayfair Centre, Victoria, B.C.; 1964—Kamloops Store, Kamloops, B.C.; 1965—Northgate Centre, Edmonton, Alta.; 1966—Guildford Centre, Surrey, B.C.; 1966—Parkwood Centre, Prince George, B.C.; 1970—Southgate Centre, Edmonton, Alta.; 1971—Market Mall Centre, Calgary, Alta.; 1973—Furniture Fair, Burnaby, B.C.; 1974—Edmonton Centre, Edmonton, Alta.; 1974—Arbutus Village, Vancouver, B.C.; 1975—Furniture Fair, Edmonton, Alta.; 1975—Lethbridge Centre, Lethbridge, Alta.; 1975—Sevenoaks Centre, Clearbrook, B.C.; 1975—Cherry Lane Centre, Penticton, B.C.; 1977—Lansdowne Park, Richmond, B.C.